

DEFERRED COMPENSATION ADVISORY COMMITTEE
REGULAR MEETING
MINUTES
October 27, 2011

For information about this meeting, contact the Deferred Compensation Plan Office at (408) 975-1465 or email DeferredCompensation@sanjoseca.gov

Chair Peter Jensen called the Deferred Compensation Advisory Committee meeting to order at 9:03 a.m. on Thursday, October 27, 2011, City Hall, Council Chambers.

Roll Call

Peter Jensen, Chair	City Manager's Representative
Franco Vado, Vice Chair	Police Representative
Donna Busse	Management Employees' Representative
Pascal Roubineau	Employee's Representative
Daniel Earl	Employees' Representative
Sean Kaldor	Firefighter Representative

Excused Absence

Julia Cooper	City Manager's Representative
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Also Present

Jeanne Groen	Human Resources, Benefits Manager
Kelly Wright	Human Resources, Deferred Compensation Staff
Tina Smith	Human Resources, Deferred Compensation Staff
Adora Gailo	Finance Staff
Jonathan Slinger	Buck Consultants
Gary Bozin	ING
Bishop Bastien	ING

APPROVAL OF MINUTES

1. **M.S.C.** (Franco Vado/Sean Kaldor) to approve the minutes for the regular Deferred Compensation Advisory Committee Regular meeting on August 25, 2011.

CEREMONIAL ITEMS

2. Proclamation for National Save for Retirement Week
Jeanne Groen, Benefits Manager, informed the Committee that the DCAC Chair, Peter Jensen, accepted a proclamation on behalf of the Committee and Staff for National Save for Retirement Week at the October 18, 2011 City Council Meeting. The proclamation was presented by Mayor Chuck Reed

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at the October 18, 2011 City Council Meeting. The proclamation was presented by Mayor Chuck Reed and Councilmember Pete Constant. Jeanne recognized Shane Patrick Connolly for his assistance in coordinating the proclamation.

DISCUSSION/ACTION ITEMS

3. Accept and discuss report on the NAGDCA Conference in September 2011 and provide direction to staff

Jeanne Groen, Benefits Manager, provided the report.

M.S.C. (Sean Kaldor/Daniel Earl) to accept the report and direct staff to agendize high priority items for the Deferred Compensation Advisory Committee Retreat.

4. Accept and discuss report on the recommendation to amend Chapters 3.48 and 3.50 of the San José Municipal Code to incorporate mandatory Heroes Earnings Assistance and Relief Tax Act and Pension Protection Act provisions

Jeanne Groen, Benefits Manager, clarified that the memo and draft ordinances were amended to omit the mandatory Heroes Earnings Assistance and Relief Tax Act provisions. Further review is needed regarding the HEART Act and it is expected that an update will be provided at a future DCAC meeting since the deadline for amending the Deferred Compensation Plan and PTC Plan under the HEART Act is December 31, 2012. Staff has coordinated with the City Attorney's Office to submit two Ordinances for City Council approval to amend the Deferred Compensation Plan in Chapter 3.48 and the PTC Plan in Chapter 3.50 of the San José Municipal Code to comply with the Pension Protection Act, and other miscellaneous United States Treasury regulations. Approval of the proposed ordinances to amend Chapters 3.48 and 3.50 of the SJMC will ensure compliance with the PPA and miscellaneous Treasury regulations. Staff will implement any necessary changes once approved by Council.

M.S.C. (Pascal Roubineau/Sean Kaldor) to accept the report and make a recommendation to adopt the Pension Protection Act and the United States Treasury related regulations.

5. Accept and discuss report on administrative process regarding five-year loans

Jeanne Groen, Benefits Manager, provided the report.

M.S.C. (Daniel Earl/Franco Vado) to accept the report.

6. Accept and discuss report regarding the process for posting agendas for Deferred Compensation Advisory Committee regular and special meetings and provide direction to staff if necessary

Jeanne Groen, Benefits Manager, provided the report. Committee members raised a concern that the staff memo did not provide guidance on how trustees should be informed of participant complaints in an appropriate manner without violating the Brown Act and confidentiality.

M.S.C. (Pascal Roubineau/Sean Kaldor) to accept the report and direct staff to provide an updated matrix of public meeting requirements and a recommendation on the Committee's Rules of Order regarding the Brown Act and Sunshine Rules.

7. Review and discuss options regarding recent Stable Value Fund crediting rate changes and provide direction to staff

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Jonathan Slinger, Buck Consultants, presented the report.

M.S.C. (Donna Busse/Daniel Earl) to accept the report and direct staff to provide a recommendation at the December 15, 2011 DCAC regular meeting to include the pros and cons and the timing of setting the Stable Value Fund crediting rate.

8. Accept and discuss report regarding share class and fund changes as a result of the Request for Proposal Process for Investment Manager and Recordkeeping Services

Jonathan Slinger, Buck Consultants, provided the report.

M.S.C. (Donna Busse/Sean Kaldor) to accept the following recommendations:

- Stable Value Fund:
 - a. Reduce the management fee on the ING stable value fund from 0.40% to 0.30%
 - b. Reduce the administration fee on the ING stable value fund from 0.40% to 0.17%
 - c. Amend Stabilizer contract to reflect 0.30% management and wrap fee as well as administration fees of 0.16% to 0.18%
- BlackRock Inflation Protected Bond Instl: Remove the 0.25% add-on administration fee
- Templeton Global Bond: Convert to the lower fee Insurance Trust vehicle of this investment product
- Vanguard Instl Index: Add a 0.17% add-on administration fee to this fund
- Vanguard Total Stock Index Inst: Reduce the existing 0.25% add-on administration fee to 0.17%
- Vanguard Mid Cap Index Instl: Add a 0.17% add-on administration fee to this fund
- CRM Mid value Inv: Convert to the lower fee Instl share class of this fund (CRIMX)
- Vanguard Small Cap Index Signal:
 - a. Convert to the lower fee Instl share class of this fund (VSCIX)
 - b. Add a 0.17% add-on administration fee to this fund
- American Funds Growth Fund of America R4:
 - a. Convert to the lower fee R5 share class of this fund (RGAFX)
 - b. Add a 0.10% add-on administration fee to this fund
- American Funds EuroPacific Growth R5: Add a 0.10% add-on administration fee to this fund
- DFA International Small Company Instl: Reduce the existing 0.25% add-on administration fee to 0.17%
- Oppenheimer Developing Markets A: Convert to the lower fee Y share class of this fund (ODVYX)

M.S.C. (Sean Kaldor/Donna Busse) that Buck Consultants return to the Committee with a larger universe of analysis with a specific recommendation for the Money Market fund.

M.S.C. (Donna Busse/Sean Kaldor) to accept the recommendation to replace the existing ING Solution Target Date fund series with the Vanguard Target Retirement Date Series:

- a. Adding the Vanguard funds in five (5) year increments
- b. Mapping assets from the ING Solution funds into the Vanguard fund with the same target year
- c. Add a 0.17% add-on administration fee to these funds

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M.S.C. (Sean Kaldor/Donna Busse) to approve the recommendation to replace the Pioneer Mid Cap value VCT I fund and map assets into JP Morgan Mid Value Select (JMVSX)

M.S.C. (Donna Busse/Sean Kaldor) to accept the recommendation for the International Stock Index Fund:

- a. Add Vanguard Total International Stock Index Signal to the plan as a new investment option (VTSGX)
- b. Add a 0.17% add-on administration fee to this fund

9. Accept and discuss report regarding the ING EZ Enrollment process implementation effective January 1, 2012 and authorize the Chair to approve target date funds as the default investment option under the Deferred Compensation Plan
Jeanne Groen, Benefits Manager, provided the report.

M.S.C. (Pascal Roubineau/Sean Kaldor) to accept the report and authorize the Chair to approve the target date funds as the default investment option under the Deferred Compensation Plan.

10. Accept and discuss report regarding administrative process for leave deferral payout requests and provide direction to staff if necessary

Jeanne Groen, Benefits Manager, provided the report. Committee members provided the following suggestions:

- Develop a payroll flyer to include retirement planning information as part of the end of the year communication.
- Include a warning box on the Request for Deferral of Sick Leave/Vacation and Compensation Time Payout Form that informs participants that IRS distributions related to deferred compensation cannot be changed under most circumstances.

INFORMATIONAL ITEMS

11. Staff report

Jeanne Groen, Benefits Manager, provided the following updates:

- Staff continues to coordinate with ING and the Attorney's Office to develop and review the contracts. The final contracts will be provided to the Committee at the December 15 DCAC meeting, so they can be executed with an effective date of January 1, 2012.
- Copies of the Fourth Amendment have been provided, which incorporate outsourcing of Domestic Relations Orders to ING. A hard copy of the Fourth Amendment was provided to Committee members for their DCAC binders.
- At the August 25 DCAC meeting, the Committee rejected ING's addendum to the Stabilizer contract amendment. This is to confirm that staff provided written notice to ING rejecting the addendum on August 25.
- NAGDCA leadership award for outstanding achievement in the field of government defined contribution administration was presented at the September conference in recognition of effective communication and National Save for Retirement Week.
- The IRS released the 2012 contribution limits:
 - a. The standard contribution will increase from \$16,500 to \$17,000
 - b. The catch-up age 50+ will increase from \$22,000 to \$22,500

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c. The regular catch-up will increase from \$33,000 to \$34,000

The new limits have been posted on the Deferred Compensation internet site. A request to post the new limits on the City's Intranet site has been submitted.

12. Verbal update on ING Service Provider

Gary Bozin, ING, provided the update.

13. Review ING Service Logs and Loan Activity Reports for July 2011 and August 2011

Gary Bozin, ING, provided the reports.

14. Updates on August, 2011 and September, 2011 Fund Performance Summaries

Gary Bozin, ING, provided the summaries.

15. Report on Legislative, Market and Consultant Activity

No report.

NEXT MEETING

18. Next Regular Committee Meeting: Thursday, December 15, 2011, City Hall, W-120, at 9:00 a.m.

OPEN FORUM

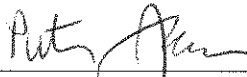
19. There was no public comment.

UNFORESEEABLE EMERGENCY WITHDRAWAL APPEALS

20. None.

ADJOURNMENT

21. **M.S.C.** (Franco Vado/Donna Busse) to adjourn at 11:49 a.m.



Peter Jensen, Chair

Deferred Compensation Advisory Committee

ATTEST:



Jeanne Groen, Benefits Manager
Committee Secretary's Designee

NOTE: M.S.C. MEANS MOTION SECONDED AND CARRIED, UNLESS OTHERWISE INDICATED, MOTION PASSED UNANIMOUSLY.

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